

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
May 15, 2008, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Clarence Corneil, Trustee
Kim Franz, Trustee
Lowell Latimer, Vice President
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer
Bob Toso, Trustee

STAFF PRESENT: Steve Cochran, Executive Director
Bonnie Heit, Office Manager
Fay Kopp, Deputy Executive Director
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Carol Calhoun, Calhoun Law Group (teleconference)
Chris Conradi, GRS (teleconference)
Warren Henke, Retired
Gary Rath, NDEA
Ruth Stefonowicz, NDEA-Retired
Ken Tupa, NDRTA
Aaron Webb, Attorney General's Office

CALL TO ORDER:

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:07 p.m. on Thursday, May 15, 2008, at the State Capitol, Ft. Union Room, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT GESSNER, MR. CORNEIL, MRS. FRANZ, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, AND MR. TOSO.

MINUTES:

The Board considered the minutes of the March 13 and April 18, 2008, board meetings.

DR. SANSTEAD MOVED AND MR. CORNEIL SECONDED TO APPROVE THE MINUTES OF THE MARCH 13 AND APRIL 18, 2008, BOARD MEETINGS.

AYES: TREASURER SCHMIDT, MRS. FRANZ, DR. SANSTEAD, MR. TOSO, PRESIDENT GESSNER, MR. CORNEIL AND DR. LATIMER.

NAYS: NONE

MOTION CARRIED.

FICA TAXATION OF CONTRIBUTIONS:

Mrs. Fay Kopp, Deputy Executive Director, introduced Carol Calhoun, Special Assistant Attorney General, and Aaron Webb, Assistant Attorney General. Mrs. Kopp stated the issue is whether an employer is required to withhold FICA taxes on employee contributions "picked up" by the employer, on behalf of an employee, through an offset against future salary increases. Ms. Calhoun and Mr. Webb reviewed this ongoing issue as outlined in Mr. Webb's May 7, 2008 memo to determine if recent guidance issued by the IRS has had any affect on TFFR's interpretation of the federal statute. Currently North Dakota state law allows the employer to fund pickups of employee contributions to the TFFR plan through two methods: (1) salary reduction of the employee, and (2) offset against future salary increases to the employee. Both TFFR and PERS have held the position that such pickups are not subject to FICA taxation of 414(h)(d) contributions. Ms. Calhoun answered questions from the Board and staff and advised the Board that TFFR could continue to instruct employers to maintain the current employer payment models. The board will continue to monitor the situation, watch for future IRS guidance and regulations, and periodically have Ms. Calhoun review the issue.

COST ANALYSIS OF RETIREE PROPOSAL:

Mrs. Kopp introduced Mr. Chris Conradi, Senior Consultant, Gabriel Roeder Smith & Company (GRS). She explained at the November 2007 board meeting, the Board requested GRS to evaluate the cost to provide a minimum benefit to retirees based on the 2% multiplier formula.

Mr. Conradi reviewed his May 8, 2008 letter which outlined such a proposal and cost. The cost to increase certain members' benefits to the amount determined under the 2.00% formula as of June 30, 2007, would be approximately \$38.4 million. Such a proposal would also involve significant administrative effort in getting the necessary data, some of which may not even be available.

Board discussion followed. Because TFFR funds are not available at this time to provide a retiree increase, this cost analysis is for information only and is not the basis for any current TFFR legislative proposal.

2009 LEGISLATION:

Mrs. Kopp reported on the Employee Benefits Programs Committee (EBPC) meeting held April 22, 2008. She described the two bills that have been submitted that relate to TFFR.

Bill No. 100 was submitted by the TFFR Board and includes technical and administrative changes to the TFFR program. The changes have no financial impact on the Fund.

Bill No. 109 was submitted by Senator O'Connell on behalf of North Dakota Retired Teachers Association (NDRTA). This bill provides a one time supplemental retiree benefit payment to all retirees and beneficiaries receiving an annuity on June 30, 2009. The amount of the supplemental payment is equal to an amount determined by taking \$4 per year of service, plus \$3 per number of years since the member's retirement, with the sum multiplied by 12. The supplemental payment is weighted towards those who have been retired the longest and have the most service credit, and would be paid in December 2009. The bill includes an \$11 million general fund appropriation to fund the supplemental payment.

Both bills have been sent to TFFR's actuary who will provide technical comments for the next EBPC meeting.

Board discussion followed. The Board directed Mrs. Kopp to visit with NDRTA regarding the specific details of the bill.

INVESTMENT UPDATE:

Mr. Steve Cochrane, Executive Director, reviewed the agenda for the May 16, 2008, State Investment Board (SIB) meeting. He commented on current economic conditions, and reported TFFR's estimated investment return as of May 14, 2008 was about -3.0%

The meeting recessed at 2:35 p.m. and reconvened at 2:45 p.m.

ELIGIBLE SALARY DETERMINATION:

Mrs. Kopp requested that this item be tabled pending review of additional information.

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO TABLE AGENDA ITEM #7 UNTIL ADDITIONAL INFORMATION IS RECEIVED.

AYES: PRESIDENT GESSNER, MR. TOSO, DR. LATIMER, MR. CORNEIL AND MRS. FRANZ.

NAYS: NONE

ABSENT: TREASURER SCHMIDT AND DR. SANSTEAD

MOTION CARRIED.

Dr. Sanstead and Treasurer Schmidt returned to the meeting.

NCTR AND FEDERAL ISSUES UPDATE:

Mrs. Kopp updated the board on various federal issues of concern to public pension plans as outlined in a May 8, 2008 memo. Board discussion followed.

2008-09 BOARD CALENDAR AND EDUCATION PLAN:

Mrs. Kopp reviewed the tentative TFFR and SIB meeting schedule for 2008-09. Board discussion followed on the July meeting date with a request that it be held the 3rd week instead of 4th week. The schedule will be reviewed and finalized at the SIB meeting on May 16, 2008. The board directed Mrs. Kopp to identify board education topics for future meetings as she deemed appropriate.

Mrs. Kopp stated TFFR board members are invited to attend the SIB meeting June 20, 2008, which will focus on the SIB governance process and policies. It will include a presentation from Miriam Carver, co-founder of the "Carver" model of board governance.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE CONSENT AGENDA, WHICH IS A QUALIFIED DOMESTIC RELATIONS ORDER (QDRO).

AYES: MR. CORNEIL, DR. SANSTEAD, DR. LATIMER, PRESIDENT GESSNER, TREASURER SCHMIDT, MR. TOSO AND MRS. FRANZ

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS: None

EXECUTIVE SESSION - DISABILITY APPLICATION:

President Gessner advised the board that it would go into Executive Session to discuss a member's disability application and retirement account information. Under North Dakota Century Code (NDCC) 44-04-19.1(2), the Board has the authority to meet in Executive Session for the purpose of discussing confidential member information. President Gessner reminded the Board that Executive Session discussion must be limited to the announced topic only. Final action must be made during the open portion of the meeting.

EXECUTIVE SESSION

EXECUTIVE SESSION ATTENDEES INCLUDED: MR. CORNEIL, DR. LATIMER, MRS. FRANZ, PRESIDENT GESSNER, MR. TOSO, TREASURER SCHMIDT, DR. SANSTEAD, MR. WEBB, AND RIO STAFF.

Executive Session began at 3:30 p.m. and ended at 3:47 p.m.

OPEN SESSION

MR. TOSO MOVED AND DR. SANSTEAD SECONDED TO EXTEND THE THIRTY-SIX MONTH APPLICATION DEADLINE FOR THIS DISABILITY APPLICANT AND APPROVE ELIGIBLE FOR DISABILITY BENEFITS.

AYES: MRS. FRANZ, TREASURER SCHMIDT, PRESIDENT GESSNER, DR. LATIMER, DR. SANSTEAD, MR. CORNEIL AND MR. TOSO.

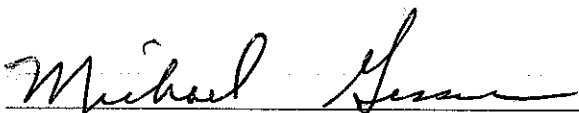
NAYS: NONE

MOTION CARRIED.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 3:47 p.m.

Respectfully Submitted:



Mr. Mike Gessner, President
Teachers' Fund for Retirement Board



Darlene Roppel
Reporting Secretary